Goodbaby International Holdings Limited
好孩子國際控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 1086)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

Financial Highlights

	For the year ended 31 December 2018	2017	Year-on-year change
	(HK$ in millions, unless specified)		
Revenue	**8,629.1**	7,142.6	20.8%
Gross profit	**3,661.3**	2,746.8	33.3%
Operating profit[1]	**326.8**	312.5	4.6%
Non-GAAP[2] operating profit	**432.3**	414.6	4.3%
Profit for the year	**166.8**	184.4	–9.5%
Non-GAAP profit for the year	**255.8**	293.7	–12.9%
Profit for the year attributable to owners of the parent	**163.8**	179.4	–8.7%
EPS (HK$)			
– basic	**0.10**	0.15	–33.3%
– diluted	**0.10**	0.15	–33.3%

1. Operating profit represents the total sum of gross profit, other income and gains, selling and distribution expenses, administrative expenses and other expenses.

2. We adopted non-GAAP financial measures in order to more clearly illustrate our financial results, and to be more consistent with what we believe to be the industry practice. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies. Please see "Non-GAAP Financial Measures" for details.

The board (the "**Board**") of directors (the "**Directors**") of Goodbaby International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") announces the consolidated results of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2018

	Notes	**2018** **(*HK$'000*)**	2017 (*HK$'000*)
Revenue	*4*	**8,629,115**	7,142,566
Cost of sales		**(4,967,782)**	(4,395,786)
Gross profit		**3,661,333**	2,746,780
Other income and gains	*4*	**98,303**	41,115
Selling and distribution expenses		**(2,208,873)**	(1,332,515)
Administrative expenses		**(1,207,135)**	(1,103,495)
Other expenses		**(16,803)**	(39,429)
Finance income	*5*	**3,867**	4,617
Finance costs	*6*	**(123,576)**	(65,506)
Share of profits and losses of joint ventures		**407**	(29)
PROFIT BEFORE TAX	*7*	**207,523**	251,538
Income tax expense	*8*	**(40,692)**	(67,132)
PROFIT FOR THE YEAR		**166,831**	184,406
Attributable to:			
Owners of the parent		**163,764**	179,350
Non-controlling interests		**3,067**	5,056
		166,831	184,406
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:	*10*		
Basic			
For profit for the year (HK$)		**0.10**	0.15
Diluted			
For profit for the year (HK$)		**0.10**	0.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

	2018 **(HK$'000)**	2017 (HK$'000)
PROFIT FOR THE YEAR	**166,831**	184,406
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Cash flow hedges		
Effective portion of changes in fair value of hedging instruments arising during the year	**(7,157)**	(4,806)
Reclassification adjustments for (gains)/losses included in the consolidated statement of profit or loss	**(10,046)**	20,165
Income tax effect	**3,137**	(2,899)
	(14,066)	12,460
Exchange differences on translation of foreign operations	**(303,100)**	251,305
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods	**(317,166)**	263,765
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Actuarial gains of defined benefit plans	**4,389**	2,942
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**4,389**	2,942
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(312,777)**	266,707
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(145,946)**	451,113
Attributable to:		
Owners of the parent	**(148,930)**	443,445
Non-controlling interests	**2,984**	7,668
	(145,946)	451,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**31 December 2018 (HK$'000)**	31 December 2017 (HK$'000)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,077,786**	1,040,743
Prepaid land lease payments		**50,925**	55,740
Goodwill		**2,682,108**	2,789,325
Other intangible assets		**2,238,039**	2,371,199
Investments in joint ventures		**5,078**	5,216
Deferred tax assets		**151,589**	112,980
Other long-term assets		**7,999**	7,224
Total non-current assets		**6,213,524**	6,382,427
CURRENT ASSETS			
Inventories	*11*	**1,943,977**	1,861,276
Trade and notes receivables	*12*	**1,097,040**	1,171,738
Prepayments and other receivables		**418,987**	337,215
Due from a related party		**11,571**	—
Financial assets designated at fair value through profit or loss	*13*	**—**	138,088
Cash and cash equivalents		**926,952**	952,153
Time deposits		**3,447**	84,054
Pledged time deposits		**—**	15,370
Derivative financial instruments	*14*	**2,987**	22,250
Total current assets		**4,404,961**	4,582,144
CURRENT LIABILITIES			
Trade and bills payables	*15*	**1,439,374**	1,312,573
Other payables and accruals		**760,566**	904,996
Due to related parties		**—**	99,143
Income tax payable		**16,497**	55,483
Provision		**37,446**	39,200
Interest-bearing bank loans and other borrowings	*16*	**887,462**	1,341,663
Derivative financial instruments	*14*	**1,058**	4,408
Defined benefit plan liabilities		**705**	391
Dividends payable		**8**	8
Total current liabilities		**3,143,116**	3,757,865
NET CURRENT ASSETS		**1,261,845**	824,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,475,369**	7,206,706

	Note	31 December 2018 (HK$'000)	31 December 2017 (HK$'000)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,475,369**	7,206,706
NON-CURRENT LIABILITIES			
Interest-bearing bank loans and other borrowings	*16*	**1,889,728**	1,395,136
Provision		**44,984**	54,717
Defined benefit plan liabilities		**7,281**	11,049
Other liabilities		**13,953**	14,089
Deferred tax liabilities		**556,317**	565,848
Total non-current liabilities		**2,512,263**	2,040,839
Net assets		**4,963,106**	5,165,867
EQUITY			
Equity attributable to owners of the parent			
Share capital		**16,680**	16,662
Reserves		**4,898,040**	5,091,222
		4,914,720	5,107,884
Non-controlling interests		**48,386**	57,983
Total equity		**4,963,106**	5,165,867

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company was incorporated in the Cayman Islands on 14 July 2000 as an exempted company with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2010.

The Group is principally engaged in the manufacture and distribution of products for children.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as at the reporting date are as follows:

Name of company Subsidiaries	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company Direct	 Indirect	Paid-in/issued and fully paid share capital	Principal activities
Goodbaby (Hong Kong) Limited ("**GBHK**")	Hong Kong, 23 July 1999	100%	—	HK$1,000	Investment holding and sales agent company
Goodbaby Child Products Co., Ltd. ("**GCPC**")	The People's Republic of China ("**PRC**"), 18 November 1994	—	100%	US$51,500,000	Manufacture, distribution and sale of safety belts, cloth sets, car safety seats, car components for children, infant strollers and bicycles
Ningbo Goodbaby Child Products Co., Ltd. ("**GCPN**")	PRC, 9 September 1996	—	85%	RMB10,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
Paragon Child Product Co., Ltd. ("**PCPC**")	PRC, 5 November 2008	—	100%	RMB10,000,000	Manufacture, distribution and sale of bicycles, sports utilities, e-cars and wooden products
Pingxiang Goodbaby Child Products Co., Ltd. ("**GCPX**")	PRC, 26 December 2011	—	100%	RMB2,000,000	Manufacture, distribution and sale of child cloth beds, infant strollers, bath chairs for children and stadium chairs
EQO Testing and Certification Services Co., Ltd. ("**EQTC**")	PRC, 30 November 2012	—	100%	RMB5,000,000	Testing of children's products, tools, electronic products and advisory for risk valuation of product quality
Serena Merger Co., Inc. ("**SERE**")	U.S., 28 May 2014	—	100%	US$1,000	Investment holding
Evenflo Company, Inc. ("**EFCD**")	U.S., 1 October 1992	—	100%	US$86,500	Manufacture, distribution and sale of car safety seats, infant strollers and baby related products
Muebles Para Ninos De Baja, S.A. De C.V. ("**EFMX**")	Mexico, 29 June 1987	—	100%	Peso1,720,000	Manufacture of baby related products
Goodbaby Canada Inc. ("**EFCA**")	Canada, 18 March 1991	—	100%	US$7,000	Distribution and sale of baby related products

Name of company Subsidiaries	Place and date of incorporation/ registration	Percentage of equity interest attributable to the Company Direct	 Indirect	Paid-in/issued and fully paid share capital	Principal activities
Columbus Trading-Partners GmbH & Co. KG (“**CTPE**”)	Germany, 26 February 2016	—	100%	EUR100	Distribution and sale of car safety seats, infant strollers and parenting products
Goodbaby Czech Republic s.r.o. (“**GBCZ**”)	Czech Republic, 8 February 2016	—	100%	CZK200,000	IT services and a share service center
Goodbaby (Europe) Gmbh & Co KG (“**GEGC**”)	Germany, 28 January 2014	—	100%	EUR100	Investment holding
Cybex GmbH (“**CBGM**”)	Germany, 5 March 2014	—	100%	EUR33,400	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
GB GmbH (“**GBGM**”)	Germany, 21 August 2015	—	100%	EUR25,000	Purchase, sale, holding and management of participating interests and development and production of child car-seats, strollers, child carrying systems, pushchairs, high chairs and other products for children
Columbus Trading Partners USA Inc. (“**CBUS**”)	U.S., 24 November 2014	—	100%	US$1	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Scandinavia A/S (“**CBDK**”)	Denmark, 1 September 2015	—	70%	DKK500,000	Distribution and sale of car safety seats, infant strollers and other parenting products
Columbus Trading Partners Japan Limited (“**CBJP**”)	Japan, 20 February 2018	—	80%	JPY2,200,000	Distribution and sale of car safety seats, infant strollers and other parenting products
Oasis Dragon Limited (“**ODLI**”)	Samoa, 13 November 2015	100%	—	US$1	Investment holding
Goodbaby (China) Retail & Service Company (“**GRCN**”)	PRC, 11 May 2016	—	100%	RMB50,000,000	Wholesale and retail of children’s products
Shanghai Goodbaby Children Fashion Co., Ltd. (“**SHFS**”)	PRC, 20 January 1998	—	100%	RMB20,000,000	Distribution and retail business of children’s products
Goodbaby Nantong Fashion Co., Ltd. (“**NTFS**”)	PRC, 19 March 2015	—	80%	RMB10,000,000	Wholesale and retail of children’s products

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for call and put options over non-controlling interests, derivative financial instruments and available-for-sale investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained earnings, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements:

Amendments to IFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to IFRS 4	*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*
IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers*
Amendments to IFRS 15	*Clarifications to IFRS 15 Revenue from Contracts with Customers*
Amendments to IAS 40	*Transfers of Investment Property*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to IFRS 1 and IAS 28

Except for the amendments to IFRS 4 and *Annual Improvements to IFRSs 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised IFRSs are described below:

(a) Amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share- based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share- based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) IFRS 9 *Financial Instruments* replaces IAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under IAS 39.

Classification and measurement

The following information sets out the impacts of adopting IFRS 9 on the statement of financial position, including the effect of replacing IAS 39's incurred credit loss calculations with IFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under IAS 39 and the balances reported under IFRS 9 as at 1 January 2018 is as follows:

	Notes	IAS 39 measurement Category	Amount (HK$'000)	Re-classification (HK$'000)	ECL (HK$'000)	Other (HK$'000)	IFRS 9 measurement Amount (HK$'000)	Category
Available-for-sale investments		AFS[1]	138,088	(138,088)	—	—	—	N/A
To: Financial assets at fair value through profit or loss	*(i)*			(138,088)	—	—		
Trade receivables	*(ii)*	L&R[2]	1,171,738	—	—	—	1,171,738	AC[3]
Financial assets included in prepayments and other receivables		L&R	232,285	—	—	—	232,285	AC
Financial assets at fair value through profit or loss		FVPL[4]	—	138,088	—	—	138,088	FVPL (mandatory)
From: Available-for-sale investments	*(i)*			138,088	—	—		
Derivative financial instruments		FVPL	22,250	—	—	—	22,250	FVPL
Other long-term assets – call options over non-controlling interests		FVPL	4,160	—	—	—	4,160	FVPL
Other long-term assets – deposit for insurance		L&R	3,064	—	—	—	3,064	AC
Pledged time deposits		L&R	15,370	—	—	—	15,370	AC
Time deposits		L&R	84,054	—	—	—	84,054	AC
Cash and cash equivalents		L&R	952,153	—	—	—	952,153	AC
			2,623,162	—	—	—	2,623,162	
Financial liabilities								
Trade and bills payables		AC	1,312,573	—	—	—	1,312,573	AC
Financial liabilities included in other payables and accruals		AC	190,419	—	—	—	190,419	AC
Interest-bearing bank and other borrowings		AC	2,736,799	—	—	—	2,736,799	AC
Derivative financial instruments		FVPL	4,408	—	—	—	4,408	FVPL
Due to a related party		AC	99,143	—	—	—	99,143	AC
Other liabilities – put options over non-controlling interests		AC	10,460	—	—	—	10,460	AC
			4,353,802	—	—	—	4,353,802	

1 AFS: Available-for-sale investments
2 L&R: Loans and receivables
3 AC: Financial assets or financial liabilities at amortised cost
4 FVPL: Financial assets or financial liabilities at fair value through profit or loss

Notes:

(i) The Group has classified its unlisted investments previously classified as available-for-sale investments as financial assets measured at fair value through profit or loss as these non-equity investments did not pass the contractual cash flow characteristics test in IFRS 9.

(ii) The gross carrying amounts of the trade receivables under the column "IAS 39 measurement — Amount" represent the amounts after adjustments for the adoption of IFRS 15 but before the measurement of ECLs. Further details of the adjustments for the adoption of IFRS 15 are included in note 2.2(c) to the financial statements.

Impairment

The following table reconciles the aggregate opening impairment allowances under IAS 39 to the ECL allowances under IFRS 9.

	Impairment allowances under IAS 39 at 31 December 2017 *(HK$'000)*	**Re-measurement** *(HK$'000)*	**ECL allowances under IFRS 9 at 1 January 2018** *(HK$'000)*
Trade receivables	43,694	—	43,694

Hedge accounting

The Group has applied hedge accounting under IFRS 9 prospectively. At the date of initial application of IFRS 9, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships. Before the adoption of IFRS 9, the Group designated the change in fair value of the entire foreign currency forward contracts in its cash flow hedge relationships. Upon adoption of IFRS 9, the Group continues to designate the entire foreign currency forward contracts in the cash flow hedge relationships. Under IAS 39, all gains and losses recorded in the cash flow hedge reserve were eligible to be subsequently reclassified to the statement of profit or loss when the hedged items affected profit or loss. The adoption of the hedge accounting requirements of IFRS 9 has had no impact on the Group's financial statements.

(c) IFRS 15 and its amendments replace IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 4 to the financial statements. As a result of the application of IFRS 15, the Group has changed the accounting policy with respect to revenue recognition.

The Group has adopted IFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018. The effect of adopting IFRS 15 is as follows:

- The comparative information for each of the primary financial statements would be presented based on the requirements of IAS 11, IAS 18 and related Interpretations and;

- The Group disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Disclosures for the comparative period in the notes to the financial statements would also follow the requirements of IAS 11, IAS 18 and related Interpretations. As a result, the disclosure of disaggregated revenue would not include comparative information under IFRS 15.

(d) Amendments to IAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) IFRIC 22 provides guidance on how to determine the date of the transaction when applying IAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) Strollers and accessories segment, which engages in the research, design, manufacture and sale of strollers and accessories under the Group's own brands and third parties' brands;

(b) Car seats and accessories segment, which engages in the research, design, manufacture and sale of car seats and accessories under the Group's own brands and third parties' brands;

(c) Non-durable product segment, which includes maternity and baby-care products and apparel and home textile products; and

(d) Others segment, which engages in the research, design, manufacture and sale of other children's products under the Group's own brands and third parties' brands.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment revenue.

Year ended 31 December 2018

	Strollers and accessories *(HK$'000)*	Car seats and accessories *(HK$'000)*	Non-durables *(HK$'000)*	Others *(HK$'000)*	Consolidated *(HK$'000)*
Segment revenue					
Sales to external customers	2,743,317	2,720,232	1,574,715	1,590,851	8,629,115
Segment results	1,206,707	1,244,668	763,943	446,015	3,661,333
Reconciliation:					
Other income and gains					98,303
Corporate and other unallocated expenses					(3,416,008)
Other expenses					(16,803)
Finance income					3,867
Finance costs					(123,576)
Share of profits and losses of joint ventures					407
Profit before tax					207,523
Other segment information:					
Impairment losses recognised in the statement of profit or loss	5,856	6,444	639	3,134	16,073
Depreciation and amortisation	108,984	96,726	35,033	49,810	290,553

Year ended 31 December 2017

	Strollers and accessories *(HK$'000)*	Car seats and accessories *(HK$'000)*	Non-durables *(HK$'000)*	Others *(HK$'000)*	Consolidated *(HK$'000)*
Segment revenue					
Sales to external customers	2,275,317	2,877,287	301,481	1,688,481	7,142,566
Segment results	801,111	1,315,575	140,881	489,213	2,746,780
Reconciliation:					
Other income and gains					41,115
Corporate and other unallocated expenses					(2,436,010)
Other expenses					(39,429)
Finance income					4,617
Finance costs					(65,506)
Share of profits and losses of joint ventures					(29)
Profit before tax					251,538
Other segment information:					
Impairment losses recognised in the statement of profit or loss	9,298	17,833	109	15,016	42,256
Depreciation and amortisation	98,648	76,174	6,748	47,401	228,971

Geographical information

(a) Revenue from external customers

	European market *(HK$'000)*	North America market *(HK$'000)*	Mainland China market *(HK$'000)*	Other overseas markets *(HK$'000)*	Total *(HK$'000)*
Year ended 31 December 2018					
Segment revenue:					
Sales to external customers	2,171,256	2,720,492	3,142,165	595,202	8,629,115
Year ended 31 December 2017					
Segment revenue:					
Sales to external customers	2,032,216	2,819,528	1,681,228	609,594	7,142,566

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2018 ***(HK$'000)***	2017 *(HK$'000)*
Mainland China	**4,156,043**	4,360,049
North America	**1,015,832**	1,023,544
Europe	**880,694**	879,492
	6,052,569	6,263,085

The non-current asset information above is based on the locations of the assets excluding financial instruments, deferred tax assets and investments in joint ventures.

Information about a major customer

During the year ended 31 December 2018, revenue from sales to a third party major customer accounting for 10% or more of the total net sales of the Group is HK$994,197,000 (2017: HK$814,170,000). The revenue from sales to this customer was derived from sales by the strollers and accessories, car seats and accessories, non-durable products and others segments, including sales to a group of entities which are known to be under common control with this customer. There was no other single customer accounted for 10% or more of the total net sales of the Group in 2018. There was no other single customer accounted for 10% or more of the total net sales of the Group in 2017, except a related party.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2018 *(HK$'000)*	2017 *(HK$'000)*
Revenue from contracts with customers:		
Sales of goods	**8,612,735**	7,127,303
Rendering of testing services	**16,380**	15,263
	8,629,115	7,142,566
Other income and gains:		
Government grants *(note (a))*	**75,688**	25,658
Gain on sale of materials	**9,320**	3,317
Gain on wealth investment products *(note (b))*	**407**	264
Compensation income *(note (c))*	**7,137**	3,747
Service fee income *(note (d))*	**—**	373
Foreign exchange differences, net	**611**	—
Fair value (losses)/gains, net		
Cash flow hedges (transfer from equity)	**(723)**	1,435
Derivative instruments — transactions not qualifying as hedges	**3,680**	3,434
Others	**2,183**	2,887
Total	**98,303**	41,115

Note (a): The amount represents subsidies received from local government authorities in connection with certain financial support to local business enterprises. These government subsidies mainly comprised subsidies for export activities, subsidies for development, and other miscellaneous subsidies and incentives for various purposes.

Note (b): The amount represents the gain on disposal of wealth investment products.

Note (c): The amount represents the compensation received from customers as a result of cancellation of orders and suppliers as a result of defective products, early payment or shipment delay in the normal course of business.

Note (d): The amount represents the service fee income for information technology services and factory administrative services provided to third parties.

5. FINANCE INCOME

	2018 *(HK$'000)*	2017 *(HK$'000)*
Interest income on bank deposits	**3,867**	4,617

6. FINANCE COSTS

	2018 *(HK$'000)*	2017 *(HK$'000)*
Interest on bank loans	**123,576**	65,506

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018	2017
	(HK$'000)	*(HK$'000)*
Cost of inventories sold	**4,960,648**	4,390,563
Cost of services provided	**7,134**	5,223
Depreciation of items of property, plant and equipment	**234,739**	195,180
Amortisation of intangible assets	**53,672**	31,811
Amortisation of land lease payments	**2,142**	1,980
Research and development costs ("**R&D**")	**366,258**	376,077
Lease payments under operating leases in respect of properties	**149,318**	117,502
Auditors' remuneration	**9,823**	9,148
Employee benefit expense (including directors' remuneration):		
Wages, salaries and other benefits	**1,666,617**	1,398,483
Pension scheme contributions	**99,785**	60,037
Pension scheme costs (defined benefit plans)(including administrative expense)	**2,631**	3,014
Share option expense	**34,239**	8,910
	1,803,272	1,470,444
Transaction costs for acquisition of subsidiaries	**—**	27,298
Net foreign exchange (gain)/loss	**(611)**	23,217
Impairment of trade receivables	**22,515**	34,286
(Reversal of provision)/write-down of inventories	**(6,442)**	7,970
Product warranties and liabilities	**37,368**	31,205
Fair value losses/(gains), net		
Cash flow hedges (transfer from equity)	**723**	(1,435)
Derivative instruments — transactions not qualifying as hedges	**(3,680)**	(3,434)
Loss on disposal of items of property, plant and equipment	**12,718**	9,457
Bank interest income	**(3,867)**	(4,617)

8. INCOME TAX

The Company and its subsidiaries incorporated in the Cayman Islands and the British Virgin Islands ("**BVI**") are exempted from taxation.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

State income tax and federal income tax of the Group's subsidiary in the United States have been provided for at rates of state income tax and federal income tax on the estimated assessable profits of the subsidiary during the year. The state income tax rates are 5% to 9.99% in the respective states where the subsidiary operates, and the federal income tax rate was lowered to 21% effective from 1 January 2018, as a result of U.S. tax reform enacted in December 2017.

The Group's subsidiary registered in Japan is subject to income tax based on the taxable income at rates ranging from 10% to 25.5% on a progressive basis.

The Group's subsidiaries registered in Germany are subject to income tax based on the taxable income at the rate of 30%.

The Group's subsidiaries registered in Denmark are subject to income tax based on the taxable income at the rate of 24.5%.

The Group's subsidiary registered in the Czech Republic is subject to income tax based on the taxable income at the rate of 19%.

All of the Group's subsidiaries registered in the People's Republic of China (the "**PRC**"), which only have operations in Mainland China, are subject to PRC enterprise income tax ("**EIT**") on the taxable income as reported in their PRC statutory accounts adjusted in accordance with relevant PRC income tax laws, at the rate of 25%.

Pursuant to relevant tax rules under the EIT Law and with the approval from the relevant tax authorities in the PRC, two of the Group's subsidiaries, Goodbaby Child Products Co., Ltd. ("**GCPC**") and EQO Testing and Certification Services Co., Ltd. ("**EQTC**") are qualified as "High and New Technology Enterprises" and are entitled to a preferential tax rate of 15% from 2017 to 2019 and 2016 to 2018 respectively.

The major components of income tax expense of the Group are as follows:

	2018	2017
	(HK$'000)	*(HK$'000)*
Current — income tax		
Charge for the year	**87,065**	51,809
Deferred income tax	**(46,373)**	15,323
Income tax expense reported in the statement of profit or loss	**40,692**	67,132

A reconciliation of the tax expense applicable to profit before tax at the statutory rates to the tax expense at the effective tax rates for the year is as follows:

	2018	2017
	(HK$'000)	*(HK$'000)*
Profit before tax	**207,523**	251,538
Expected income tax based on different rates applicable to profits in the countries covered	**56,921**	67,403
Effect of tax losses not recognised	**4,651**	—
Effect of changes in US tax rate on deferred tax asset balance	**—**	21,373
Temporary difference for which deferred tax assets have not been recognised	**250**	353
Recognition of deferred tax assets related to previously unrecognised deductible temporary differences and tax losses	**(5,930)**	—
Tax credit arising from additional deduction of R&D expenditures of PRC subsidiaries	**(25,630)**	(18,510)
Tax effect on non-taxable income	**(7,819)**	(11,222)
Tax effect on non-deductible expenses	**18,249**	7,735
Income tax expense	**40,692**	67,132

9. DIVIDENDS

	2018	2017
	(HK$'000)	*(HK$'000)*
Final dividend proposed subsequent to the reporting period — Nil (2017: HK$0.05) per ordinary share	**—**	83,313

The Board did not recommend the payment of any dividend for the year ended 31 December 2018.

10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,667,513,287 in issue during the year (2017: 1,222,433,653).

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of earnings per share is based on:

	2018	2017
	(HK$'000)	*(HK$'000)*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**163,764**	179,350

	Number of shares	
	2018	2017
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,667,513,287**	1,222,433,653
Effect of dilution — weighted average number of ordinary shares:		
Share options	**2,273,145**	127,700
Total	**1,669,786,432**	1,222,561,353

11. INVENTORIES

	2018 *(HK$'000)*	2017 *(HK$'000)*
Raw materials	**377,660**	370,746
Work in progress	**59,007**	77,049
Finished goods	**1,507,310**	1,413,481
	1,943,977	1,861,276

12. TRADE AND NOTES RECEIVABLES

	2018 *(HK$'000)*	2017 *(HK$'000)*
Trade receivables	**1,130,128**	1,209,152
Notes receivable	**4,443**	6,280
	1,134,571	1,215,432
Impairment of the trade receivables	**(37,531)**	(43,694)
	1,097,040	1,171,738

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is up to three months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The Group's notes receivable were all aged within six months and were neither past due nor impaired.

An aging analysis of the trade receivables of the Group, based on the invoice date net of provision, is as follows:

	2018 *(HK$'000)*	2017 *(HK$'000)*
Within 3 months	**1,025,437**	1,020,758
3 to 6 months	**41,173**	138,752
6 months to 1 year	**4,487**	5,614
Over 1 year	**21,500**	334
	1,092,597	1,165,458

The movements in the loss allowance for impairment of trade receivables are as follows:

	2018 *(HK$'000)*	2017 *(HK$'000)*
At beginning of year	**43,694**	8,960
Impairment losses, net	**22,515**	34,286
Amounts written off as uncollectible	**(29,366)**	(478)
Exchange realignment	**688**	926
At end of year	**37,531**	43,694

13. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 *(HK$'000)*	2017 *(HK$'000)*
Unlisted investments, at fair value	**—**	138,088

The above unlisted investments as at 31 December 2017 consist of investments in wealth investment products which are designated as available-for-sale financial assets and have maturity within three months and coupon rates ranging from 2.2% to 3.5% per annum. They are mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

All wealth investment products subsequently matured in January 2018 with principals and interest fully received.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	2018	
	Assets *(HK$'000)*	**Liabilities** *(HK$'000)*
Forward currency contracts		
— designated as hedging instruments	**2,987**	**1,058**
	2,987	**1,058**

	2017	
	Assets *(HK$'000)*	Liabilities *(HK$'000)*
Forward currency contracts		
— designated as hedging instruments	18,816	4,408
— not designated as hedging instruments	3,434	—
	22,250	4,408

Cash flow hedge under IFRS 9 — Foreign currency risk

Forward currency contracts are designated as hedging instruments in respect of forecasted routine intragroup sales in foreign currencies. The forward currency contract balances vary with the levels of expected foreign currency sales and changes in foreign exchange forward rates.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the forecasted sales and purchases and the hedging instruments
- Different interest rate curves applied to discount the hedged items and hedging instruments
- The counterparties' credit risks differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amounts of cash flows of hedged items and hedging instruments

The Group holds the following foreign exchange forward and swap contracts:

	Maturity		
	Less than 3 months	**3 to 6 months**	**Total**
As at 31 December 2018			
Foreign currency forward contracts (highly probable forecasted sales)			
Notional amounts *(HK$'000)*	15,668	—	15,668
Average forward rate *(US$/RMB)*	6.7081	—	
Foreign currency forward contracts (highly probable forecasted sales)			
Notional amounts *(HK$'000)*	99,630	—	99,630
Average forward rate *(EUR/RMB)*	8.2162	—	
Foreign currency forward contracts (highly probable forecasted sales)			
Notional amounts *(HK$'000)*	8,923	—	8,923
Average forward rate *(US$/EUR)*	0.8608	—	
Foreign currency forward contracts (highly probable forecasted sales)			
Notional amounts *(HK$'000)*	11,376	2,808	14,184
Average forward rate *(JPY/EUR)*	0.0076	0.0076	

The impacts of the hedging instruments on the statement of financial position are as follows:

	Notional amounts *(HK$'000)*	Carrying amounts *(HK$'000)*	Line item in the statement of financial position	Change in fair value used for measuring hedge ineffectiveness for the year *(HK$'000)*
As at 31 December 2018				
Foreign currency forward contracts	99,630	2,987	Derivative financial instruments (assets)	2,987
Foreign currency forward contracts	38,775	(1,058)	Derivative financial instruments (liabilities)	(1,058)

The impacts of the hedged items on the statement of financial position are as follows:

	Change in fair value used for measuring hedge ineffectiveness for the year *(HK$'000)*	Hedging reserve *(HK$'000)*
As at 31 December 2018		
Highly probable forecast sales	3,535	(1,606)

The effects of the cash flow hedge on the statement of profit or loss and the statement of comprehensive income are as follows:

	Total hedging gains/(losses) recognised in other comprehensive income			Line item in the statement of profit or loss	Amounts reclassified from other comprehensive income to profit or loss			Line item (gross amount) in the statement of profit or loss
	Gross amounts *(HK$'000)*	Tax effects *(HK$'000)*	Total *(HK$'000)*		Gross amounts *(HK$'000)*	Tax effects *(HK$'000)*	Total *(HK$'000)*	
As at 31 December 2018								
Highly probable forecast sales	(7,157)	2,553	(4,604)	Other income and gains	(10,046)	584	(9,462)	Revenue

15. TRADE AND BILLS PAYABLES

An aging analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018 *(HK$'000)*	2017 *(HK$'000)*
Within 3 months	**1,269,572**	1,162,294
3 to 12 months	**160,124**	144,549
1 to 2 years	**8,301**	5,428
2 to 3 years	**1,265**	108
Over 3 years	**112**	194
	1,439,374	1,312,573

The trade and bills payables are non-interest-bearing and normally settled on terms of 60 to 90 days.

16. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

		As at 31 December 2018		As at 31 December 2017	
		Maturity	***(HK$'000)***	Maturity	*(HK$'000)*
Current					
Bank overdrafts — secured	*Note (a)*	**2019**	**155,693**	2018	158,724
Current portion of long-term bank loans — secured	*Note (b)*	**2019**	**223,654**	2018	371,834
Bank borrowings — secured	*Note (b)*	**2019**	**450,458**	2018	562,687
Promissory note	*Note (c)*	**2019**	**1,252**	2018	625
Bank borrowings — unsecured		**2019**	**56,405**	2018	247,793
			887,462		1,341,663
Non-current					
Bank borrowings — secured	*Note (b)*	**2020-2022**	**1,888,475**	2019-2021	1,393,260
Promissory note	*Note (c)*	**2021**	**1,253**	2021	1,876
			1,889,728		1,395,136
Total			**2,777,190**		2,736,799

Note (a): The bank overdraft facilities amounted to HK$236,415,000, of which HK$155,693,000 had been utilised as at the end of the reporting period and was guaranteed by the Company. The bank overdraft facilities are revolving facilities with no termination date.

Note (b): Certain of the Group's bank loans are secured by:

(i) the pledge of shares of certain Group's subsidiaries;

(ii) a standby letter of credit from the Bank of China Suzhou branch issued by a subsidiary of the Group; and

(iii) the guarantee from the Company.

Note (c): The promissory note was issued by the US government authority.

Note (d): The effective interest rates of the bank loans and other borrowings range from 0.60% to 6% (2017: 0.65% to 6%).

	Group	
	2018	2017
	(HK$'000)	*(HK$'000)*
Analysed into:		
Bank loans repayable:		
Within one year	**887,462**	1,341,663
In the second year	**489,818**	310,243
In the third to fifth years, inclusive	**1,399,910**	1,084,893
	2,777,190	2,736,799

17. SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purposes of motivating the eligible participants to optimise their performance efficiency for the benefit of the Group; and attracting and retaining or otherwise maintaining on-going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group. Eligible participants of the Scheme include full-time or part-time employees, executives or officers of the Company or any of its subsidiaries, any directors (including non-executive and independent non-executive directors) of the Company or any of its subsidiaries and advisers, consultants, suppliers, customers, agents and such other persons who in the sole opinion of the board will contribute or have contributed to the Company or any of its subsidiaries as described in the Scheme. The Scheme has become effective on 5 November 2010 and, unless otherwise cancelled or amended, remains in force for 10 years from that date.

The maximum number of share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 11 May 2018. The maximum number of shares issuable under share options to each eligible participant under the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue as at the date on which the share options are granted to the relevant eligible participants. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue on the date of such grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period determined by the directors and ends on a date which shall not be later than ten years from the date upon which the share options are deemed to be granted and accepted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the closing price of the Company's shares on the date of offer of the share options; (ii) the average closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	Weighted average exercise price *HK$ per share*	**Number of options** *'000*
At 1 January 2017	3.420	74,960
Granted during the year	3.880	4,500
Forfeited during the year	3.708	(13,488)
Exercised during the year	2.466	(15,022)
At 31 December 2017 and 1 January 2018	3.665	50,950
Granted during the year	4.600	112,300
Forfeited during the year	4.396	(28,447)
Exercised during the year	3.575	(1,772)
At 31 December 2018	4.299	133,031

The weighted average share price at the date of exercise for share options exercised during the year was HK$5.10 per share (2017: HK$3.81).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options *'000*	**Exercise price** *HK$ per share*	**Exercise period**
9,360	3.58	29 September 2017 to 28 September 2024
7,494	3.58	29 September 2018 to 28 September 2024
8,560	3.58	29 September 2019 to 28 September 2024
5,039	3.75	7 October 2018 to 6 October 2025
5,039	3.75	7 October 2019 to 6 October 2025
5,039	3.75	7 October 2020 to 6 October 2025
1,000	3.88	28 August 2020 to 27 August 2027
1,000	3.88	28 August 2021 to 27 August 2027
1,000	3.88	28 August 2022 to 27 August 2027
15,760	4.54	27 September 2020 to 27 March 2028
23,640	4.54	27 September 2021 to 27 March 2028
39,400	4.54	27 September 2022 to 27 March 2028
2,140	5.122	28 May 2021 to 27 May 2028
3,210	5.122	28 May 2022 to 27 May 2028
5,350	5.122	28 May 2023 to 27 May 2028
133,031		

2017

Number of options *('000)*	Exercise price *(HK$ per share)*	Exercise period
20	2.12	3 January 2013 to 2 January 2018
9,360	3.58	29 September 2017 to 28 September 2024
10,060	3.58	29 September 2018 to 28 September 2024
9,360	3.58	29 September 2019 to 28 September 2024
5,883	3.75	7 October 2018 to 6 October 2025
5,883	3.75	7 October 2019 to 6 October 2025
5,884	3.75	7 October 2020 to 6 October 2025
1,500	3.88	28 August 2020 to 27 August 2027
1,500	3.88	28 August 2021 to 27 August 2027
1,500	3.88	28 August 2022 to 27 August 2027
50,950		

The Group recognised a share option expense of HK$34,239,000 (2017: HK$8,910,000) for the year ended 31 December 2018.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Share options granted on 27 March 2018	Share options granted on 28 May 2018
Dividend yield *(%)*	1.50	1.50
Spot stock price *(HK$ per share)*	4.54	4.78
Historical volatility *(%)*	37.90	37.90
Risk-free interest rate *(%)*	2.03	2.25
Expected life of options *(year)*	10	10

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

The 1,772,000 share options exercised during the year resulted in the issue of 1,772,000 ordinary shares of the Company and new share capital of HK$17,720 and share premium and share option reserve of HK$6,317,280 (before issue expenses).

At the end of the reporting period, the Company had 133,031,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 133,031,000 additional ordinary shares of the Company and additional share capital of HK$1,330,310, and share premium of HK$570,569,959 (before issue expenses).

At the date of approval of these financial statements, the Company had 132,130,667 share options outstanding under the Scheme, which represented approximately 7.92% of the Company's shares in issue as at that date.

18. EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the end of the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

As reported, we recorded growth in revenue and operating profit for the full year of 2018 ("**the Period**"). Our revenue for the Period increased by 20.8% to approximately HK$8,629.1 million from HK$7,142.6 million for the corresponding period in 2017. Our reported gross profit increased by 33.3% to HK$3,661.3 million for the Period from HK$2,746.8 million for the corresponding period in 2017. Our reported operating profit increased by 4.6% to HK$326.8 million for the Period from HK$312.5 million for the corresponding period in 2017 and on a non-GAAP basis, our operating profit increased by 4.3% to approximately HK$432.3 million for the Period from approximately HK$414.6 million for the corresponding period in 2017.

On a pro forma non-GAAP basis[1], our revenues for the Period remained level at approximately HK$8,629.1 million vs. approximately HK$8,626.4 million for the corresponding period in 2017, gross profit decreased by 1.0% to approximately HK$3,668.9 million from HK$3,706.0 million in the same period of 2017 and operating profit decreased by 37.9% to approximately HK$432.3 million from HK$695.7 million in the same period of 2017. This slight decline in our gross margin is primarily driven by sales shortfalls of Evenflo and gb durables, rising input costs and customer mix offset by a favorable brand mix. Operating expenses increased 7.5% to approximately HK$3,236.6 million for the Period from HK$3,010.3 million in the same period of 2017. This increase is a result of continued investment of future growth, plus additional expenses incurred related to the bankruptcy of a logistics provider in EMEA and Opex investments for certain China market initiatives.

During 2018, we realized strong performance from:

- Cybex global performance attributed to new product introductions and channel expansion. During the Period, we recorded approximately HK$2,042.5 million revenue from Cybex brand, representing 16.5% year-on-year growth;

- gb durables business in international markets and gb non-durables business. During the Period, we recorded approximately HK$307.2 million and HK$1,574.7 million revenue from gb durables business in international markets and gb non-durables business representing 18.9% and 16.6% year-on-year growth, respectively.

[1] We presented the pro forma, non-GAAP basis ("**pro forma**") consolidated financial figures for the purpose of illustrating the effect on the revenue and non-GAAP operating profit of the Original Business and Acquired Business as if the Acquisition had been completed on 1 January 2017. The pro forma consolidated financial figures have been prepared for the illustrative purposes only and are based on a number of assumptions, estimates and uncertainties. The pro forma consolidated financial figures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. The Original Business represents the business of the Group excluding the Acquired Business. The Acquired Business refers to the business acquired by the Group through the Acquisition. The Acquisition refers to the Group's acquisition of Oasis Dragon Limited which was competed on 23 October 2017.

and were negatively impacted by:

- the continued effects related to the bankruptcy and ultimate liquidation in early 2018 of Toys R Us, Inc. (“**TRU**”) and its subsidiary Babies R US (“**BRU**”).

  - o In addition to bad debt recorded in H1 2018, our consolidated revenues from TRU/BRU were approximately HK$34.6 million in 2018, compared to HK$291.6 million for the full year of 2017. Our toy based business segment including our Rollplay brand plus the Exersaucer product line within the Evenflo brand were directly negatively impacted.

- lower gb branded durables revenues in our China market

  - o While our China market of gb branded non-durable business continues to generate strong profitable growth, revenue of gb durables in China market decreased to approximately HK$1,046.7 million for the Period from HK$1,324.2 million in the corresponding period 2017. In a year full of challenges for our China durables business, the overall decrease is primarily attributed to a notable decline of approximately 12% in China’s birth rate, overall weaker consumer confidence especially in the second half of 2018, realignment of our durables distribution channels and previous China Leadership performance.

EXECUTIVE SUMMARY

Continued commitment to our strategic brands

Our key strategic brands of Cybex, gb and Evenflo recorded an overall 3.9% growth in revenue. Cybex, gb and Evenflo recorded revenue of approximately HK$2,042.5 million, HK$2,928.6 million and HK$1,826.4 million respectively, representing growth of 16.5%, and declines of 0.1% and 1.5%, respectively, compared to the corresponding period 2017. As a result, our key strategic brands represent approximately 79% of total revenues for the Period compared to 76% for the corresponding Period in 2017.

- **Region APAC**

  2018 has been a year full of challenges. On a proforma basis, our China market recorded revenue of HK$3,138.5 million during the Period, representing a slight drop of 0.8% from HK$3,165.0 million in the corresponding period in 2017. This overall slight decrease is the net result of continued strong growth in the non-durables sector offset by the overall decline in durables revenues.

  In non-durables, we recorded 14.9% growth in gb baby care products and 19.6% growth in apparel and home textile products as we continued to appeal to the fast moving trends in lifestyle and consumer behavior, drive new product innovations and focus on improving linked online/offline sales and repeat purchases to reinforce our expanding Omnichannel strategy.

  Offsetting the non-durables increase is a 21% decline in gb durable products in the Period vs. the corresponding period in 2017. Several factors impacted this decline including the approximate 12.0% drop in the birth rate in China in 2018 vs. 2017 and weaker overall consumer confidence especially in the second half of 2018.

The 2018 performance of China market resulted in a change of leadership in November 2018. Under the new leadership of Nicole Jiang, CEO of China Market, the organization has been stabilized and the China market performance is gaining momentum for a turnaround in 2019.

Fueled by continued new product introductions and further channel development, our Cybex brand recorded very strong growth of 58.4% during the Period vs. the corresponding period in 2017.

Revenue outside China declined by 10.7% to approximately HK$503.9 million in the Period from approximately HK$564.3 million in the corresponding period in 2017. The decline is directly attributable to the negative impact of Rollplay brand revenues related to the TRU bankruptcy and liquidation and to the impact of the strategic closure of our Geoby brand business in late 2016/early 2017. Revenue outside China will begin to stabilize as the TRU and Geoby impact diminishes.

As an offset, our non-wholly owned distribution platform formed in Japan in March 2018 has already started to produce impressive results focusing initially on the Cybex product lines. During the Period, our revenue generated in Japan increased by 123.4% compared to the corresponding period in 2017.

- **Region EMEA**

Our EMEA revenues for the Period approximated HK$2,053.9 million, as compared to HK$1,837.6 million for the corresponding period in 2017. Our EMEA growth of 11.8% was achieved by continued strong consumer reception of our brand building, new product introductions and channel expansion from 2017. While the consumer demand remains strong, our growth in EMEA was limited due to logistical challenges associated with the bankruptcy of our primary EMEA logistics/warehousing provider and the transition to a larger capacity logistics/warehousing provider during mid/late 2018.

Despite the logistical challenges incurred, both Cybex and gb brands continued to experience growth in 2018.

Our Cybex brand achieved strong growth of nearly 10.7% with revenues approximating HK$1,743.2 million during the Period. Despite the logistics challenges in mid/late 2018, Cybex revenue continued to achieve growth in the last six months of 2018 vs. the first six months of 2018 and vs. the last six months of 2017. The growth is primarily attributed to the successful new product launches. Car seat, overall stroller and home goods performance remains strong. As the remaining logistical transitional tasks will be completed by Q1 2019, we fully expect Cybex to return to strong growth.

In order to continue to service market demands, we incurred nearly HK$37.0 million in additional expenses during mid/late 2018 to facilitate the transfer of logistics capabilities to a new provider without further disruption to distribution channels.

Our gb brand revenues in EMEA realized 26.7% growth in 2018 in total EMEA revenues to approximately HK$299.7 million for the Period as compared to HK$236.5 million for the corresponding period in 2017. Recognized as a technical / lifestyle premium brand in EMEA, the gb brand growth is primarily attributed to strong car seat growth.

The stronger brand awareness recognition, continued successful product and channel strategy, supported by a strengthened logistics capability and efficiencies in supply chain will produce increased levels of growth and profitability for the future.

- **Region Americas**

2018 was an extraordinary year in which the overall juvenile market appreciably declined due to TRU/BRU's bankruptcy and huge liquidation of baby gear, placing top-line growth pressures on all juvenile product manufacturers. Revenue for the Americas region declined approximately 2.6% primarily due to these challenges, with recorded revenue in the Period of approximately HK$1,904.8 million as compared to HK$1,956.5 million for the corresponding period in 2017. Notwithstanding this extraordinary event, Evenflo strengthened its position and retail sell-thru with all other significant channels of distribution. The introductions of two leadership products fueled those results. Excluding the impact of the TRU/BRU liquidation, Americas achieved a 5.5% revenue growth during the Period in other channels. As we continued to ship product to BRU in early 2018, we expect the overall impact of TRU/BRU will diminish within early/mid 2019 and are confident that our future new product placements will drive a return to overall growth. Further growth momentum was hampered in late 2018 due to declining consumer / retail confidence resulting from the ongoing tariff war between the US and China, and further impact from the government shutdown in December 2018/January 2019. Gross margin pressures were realized primarily due to overall revenue decline, selected increases in retailer channel costs and increased input costs mainly driven by higher resin and freight costs. We continue to focus our efforts and investments on brand building, developing and launching key new products focused on meeting consumer-driven needs and ensuring optimized alignment of our distribution channels to drive sustainable growth.

In late 2018/early 2019, Goodbaby/Evenflo relocated its headquarters and commercial teams to Boston, Massachusetts to further strengthen our go forward capabilities and talent acquisition.

Our Cybex brand continues to realize rapid growth as it introduces incremental consumer oriented product solutions that reinforce Cybex as the premier premium lifestyle brand in Americas. Cybex revenue increased 54.1% in the Period compared to the corresponding period in 2017.

During September 2018, a 10% tariff was implemented on certain juvenile product categories imported from China. The introduction of this tariff, and the consequence of any future trade war negotiations currently underway, have caused some disruption in buying decisions and resulting sales in those categories. However, the overall impact to our consolidated revenues is not considered material. For the Period, approximately 8.6% of consolidated revenues are in categories currently subject to the 10% tariff.

Blue Chip

As the Blue Chip business continues to stabilize after past years of rapid decline, our revenue decreased approximately 6.8% in the Period compared to the corresponding period in 2017. We recorded revenue of HK$1,028.1 million in the Period, compared to HK$1,103.1 million in the corresponding period in 2017. The majoring of this decline is directly attributed to the final planned phase out of one historical customer. We did expectance growth during 2018 from each of our Top 5 Blue Chip customers. These results for the Period are within management expectations and reflect the continued close working relationship with key customers who value our outstanding manufacturing, research and development, quality, cost competitiveness and overall service capabilities. Our business relationships in this sector are stable and healthy and our overall results are a reflection of customer activities and overall timing.

Innovation and Technology

The Group has eight dynamic R&D centers concentrated in China, EMEA and North America. The R&D hubs in these three geographic regions, each with a specialty focus, allow us to design and innovate a wide range and variety of innovative products in a collaborative manner sharing best practices to ensure we are focused on consumer needs. As at 31 December 2018, the total number of the Group's historically obtained patents reached more than 9,600.

In 2018, the Group's strategic brands, Cybex and gb, are continuing the success by achieving outstanding results in the most important European car seat tests. Three car seats received in total 12 safety awards by independent consumer testing organizations. The Pallas S-Fix and the Solution S-Fix were awarded "test winners", the rotatable facing Child seat, gb Vaya i-Size, has been awarded with the German Design Award "Winner 2018". For strollers, the lightweight and compact Cybex MIOS has been awarded with the German Design Award "Winner 2018". The cosmopolitan stroller Cybex Eezy S Twist with its unique one-hand rotatable seat and the Cybex Balios S were awarded with a "Winner" Red Dot Award. With a weight of only 6.3kg, the gb Swan stroller sets an example in terms of material combination, function and ergonomics. The stroller combines new material technologies like carbon fiber with a fashionably elegant look. For this achievement, the stroller has been awarded with a "Best of the Best" Red Dot Design Award. Additionally, the Cybex car seat Sirona M with SensorSafe 2.0 has been rated "The Best of BabyTech 2018" at the Consumer Electronics Fair (CES) in Las Vegas and "Best in Show" at the 2018 JPMABabyShow in the US. The Evenflo car seat EveryState DLX All in One was voted "Parent's Pick" at the 2018 JPMABabyShow in the US. In the furniture category, the 4-in-1 seating system, LEMO, has been awarded with "Best of the Best" Red Dot Design Award.

By incorporating smart technologies in our products, we aim to make parents' lives easier and even more comfortable. The SensorSafe technology has now been launched globally in a wide range of car seats. The innovative technology has been combined with a smart app providing care givers detailed information about temperature and the buckling of their child. It reminds care givers of left behind children in the cars.

Based on this knowledge, the group will extend the smart abilities of products in strollers and home products to be launched in 2019.

Production and Supply Chain

Continued discipline in execution of the Goodbaby Excellence System (GBES) has allowed us to achieve world class standards in supply chain and operational processes. The principles of this system, together with leveraging lean manufacturing methodologies and global supply chain reach has largely offset increasing raw material input and labor costs. Future initiatives including lead times and speed to market will further enhance our opportunity to optimize best of class supply chain, procurement and logistics to ensure our future competitiveness on a sustained basis.

Organization

We continue to expand our global management and leadership capabilities, competencies and skills towards a lean and empowered organization structure, always based on our company's core values. As introduced in 2017, the Triangular Management System focused on consumer centric vision, strategy and standards with decentralized regional execution. It was well received and the resulting cooperation between Group functions, regions and business units has been simplified and improved to strive towards organizational and process excellence.

OUTLOOK

While 2018, presented several different challenges to the Group, we continued our progress in further strengthening our organizational and commercial foundation. Global demand for Cybex branded products continues to experience strong growth, and now with enhanced supply chain capabilities in EMEA and fortified distribution platforms across the globe, we fully expect Cybex to realize significant momentum during 2019. We expect the market challenges in the US and China to persist in 2019, particularly in Q1 2019; but we remain confident that our Strategic brands Evenflo and gb will see their respective revenue and profitability performance rebound during 2019. In all regions, we will sharpen our business models toward a B2C platform to adapt to the rapidly changing behavior of online consumerism. World class manufacturing and supply chain excellence, cost optimization will remain the core of our vision of leading the global juvenile eco-system and achieving sustained profitable growth.

FINANCIAL REVIEW[1]

Revenue

For the year ended 31 December 2018, the total revenue of the Group increased by 20.8% from approximately HK$7,142.6 million for the year ended 31 December 2017 to approximately HK$8,629.1 million. The increase was due to the revenue growth from our own brand and retailer's private label business, but partially offset by the decrease in Blue Chip business.

1 All financial numbers in this Financial Review section are from the Group's consolidated accounts as reported.

The table below sets out the Group's revenue by business format for the periods indicated.

	For the year ended 31 December				Growth analysis
	2018		2017		**2018 vs 2017**
	Sales *(HK$ million)*	**% of sales**	Sales[2] *(HK$ million)*	% of sales	**Growth**
Our own brand and retailer's private label	**7,601.0**	**88.1**	6,039.5	84.6	25.9%
APAC	**3,642.3**	**42.2**	2,245.4	31.5	62.2%
EMEA	**2,053.9**	**23.8**	1,837.6	25.7	11.8%
Americas	**1,904.8**	**22.1**	1,956.5	27.4	-2.6%
Blue Chip business	**1,028.1**	**11.9**	1,103.1	15.4	-6.8%
Total	**8,629.1**	**100.0**	7,142.6	100.0	20.8%

The growth in the Group's own brand and retailer's private label businesses was mainly driven by the consolidation of full-year revenue from the Acquired Business[1] and the strong performance in our strategic brand of Cybex. In region APAC, the full-year revenue from the Acquired Business was consolidated in 2018 and resulted the significant growth in revenue by 62.2%, but partially offset by the decrease of Rollplay brand revenues impacted by the TRU bankrupcy and liquidation and the negative impact of the strategic closure of our Geoby brand business in late 2016/early 2017. In region EMEA, we recorded strong growth with Cybex and gb Platinum and Gold ranges by continued strong consumer reception of our brand building, new product introductions and channel expansion from 2017, which supported our revenue growth by 11.8%. Our business in region Americas declined slightly by 2.6% primarily due to the challenges in the overall juvenile market appreciably declined due to TRU/BRU's bankruptcy and huge liquidation of baby gear.

As the Blue Chip business continues to stabilize after past years of rapid decline, our revenue decreased by approximately 6.8%, from HK$1,103.1 million in 2017 to HK$1,028.1 million in 2018. These results for 2018 are within management expectations and reflect the continued close working relationship with key customers who value our outstanding manufacturing, research and development, quality, cost competitiveness and overall service capabilities. Our business relationships in this sector are stable and healthy and our overall results are a reflection of customer activities and overall timing.

1 The Acquired Business refers to the business acquired by the Group through the Acquisition. The Acquisition refers to the Group's acquisition of Oasis Dragon Limited which was completed on 23 October 2017.

2 Certain immaterial reclassifications were included.

Cost of Sales, Gross Profit and Gross Profit Margin

Cost of sales increased by approximately 13.0% from HK$4,395.8 million for the year ended 31 December 2017 to HK$4,967.8 million for the year ended 31 December 2018, which was mainly in line with the growth in revenue. Gross profit for the Group increased from approximately HK$2,746.8 million for the year ended 31 December 2017 to approximately HK$3,661.3 million for the year ended 31 December 2018, and the gross profit margin increased by approximately 3.9% from approximately 38.5% for the year ended 31 December 2017 to approximately 42.4% for the year ended 31 December 2018. The improvement in gross profit margin was mainly attributable to the increased revenue contribution from our key strategic brands which has higher gross profit margin and the continued improvement in cost efficiency.

Other Income and Gains

Other income and gains of the Group increased by HK$57.2 million from approximately HK$41.1 million for the year ended 31 December 2017 to approximately HK$98.3 million for the year ended 31 December 2018, which was mainly attributable to the increase in gains from government grants.

Selling and Distribution Expenses

The Group's selling and distribution expenses primarily consist of marketing expenses, salaries and transportation costs. The selling and distribution expenses increased by HK$876.4 million from approximately HK$1,332.5 million for the year ended 31 December 2017 to approximately HK$2,208.9 million for the year ended 31 December 2018. The increase was mainly attributable to the consolidation of the Acquired Business and after excluding the impact of the Acquired Business, the increase was mainly attributable to the increase of salaries due to increased sales forces and increase in logistics and warehousing costs mainly due to the transition of the logistic providers in region EMEA.

Administrative Expenses

The Group's administrative expenses primarily consist of salaries, research and development costs, professional service expenses, provision for the potential uncollectible receivables and other office expenses. The administrative expenses increased by HK$103.6 million from approximately HK$1,103.5 million for the year ended 31 December 2017 to approximately HK$1,207.1 million for the year ended 31 December 2018. The increase was mainly due to the consolidation of the Acquired Business, and after excluding the impact of the Acquired Business, the administrative expenses remain relatively stable compared with last year.

Other Expenses

Other expenses of the Group decreased to approximately HK$16.8 million for the year ended 31 December 2018 from approximately HK$39.4 million for the year ended 31 December 2017. Other expenses of the Group decreased by HK$22.6 million, which was mainly attributable to the decrease of foreign exchange losses.

Operating Profit

As a result of the foregoing, the Group's operating profit increased by approximately 4.6%, or HK$14.3 million, from approximately HK$312.5 million for the year ended 31 December 2017 to approximately HK$326.8 million for the year ended 31 December 2018.

The Group's non-GAAP operating profit increased by approximately 4.3%, or HK$17.7 million, from approximately HK$414.6 million for the year ended 31 December 2017 to approximately HK$432.3 million for the year ended 31 December 2018.

Finance Income

For the year ended 31 December 2018, the Group's finance income decreased by approximately 15.2%, or HK$0.7 million, from approximately HK$4.6 million for the year ended 31 December 2017 to approximately HK$3.9 million. The Group's finance income mainly represents interest income from bank deposits.

Finance Costs

For the year ended 31 December 2018, the Group's finance costs increased by approximately 88.7%, or HK$58.1 million, from approximately HK$65.5 million for the year ended 31 December 2017 to approximately HK$123.6 million. The increase for the year ended 31 December 2018 was mainly attributable to the increased bank loans mainly for the Acquisition and the increases in LIBOR.

Profit Before Tax

As a result of the foregoing, the profit before tax of the Group decreased by 17.5% from approximately HK$251.5 million for the year ended 31 December 2017 to approximately HK$207.5 million for the year ended 31 December 2018.

The Group's non-GAAP profit before tax decreased by approximately 11.5% from approximately HK$353.6 million for the year ended 31 December 2017 to approximately HK$313.0 million for the year ended 31 December 2018.

Income Tax

The Group's income tax expense was approximately HK$40.7 million for the year ended 31 December 2018, decreased by 39.3% from approximately HK$67.1 million for the year ended 31 December 2017. In 2017, the Group recorded deferred tax expenses due to the reduction of income tax rate as a result of U.S. tax reform enacted in December 2017. Excluding the one-time impact of the U.S. tax reform, the decrease in income tax expense is mainly in line with the decrease in the profit before tax.

Profit for the Year

Profit of the Group for the year ended 31 December 2018 decreased by 9.5% from approximately HK$184.4 million for the year ended 31 December 2017 to approximately HK$166.8 million.

Non-GAAP profit of the Group for the year ended 31 December 2018 decreased by 12.9% from approximately HK$293.7 million for the year ended 31 December 2017 to approximately HK$255.8 million.

Non-GAAP Financial Measures

To supplement the consolidated results of the Group prepared in accordance with IFRS, certain non-GAAP financial measures, including non-GAAP operating profit, non-GAAP operating margin, non-GAAP profit before tax, non-GAAP profit for the year and non-GAAP net margin, have been presented in this announcement. The Company's management believes that the non-GAAP financial measures provide investors with more clear view on the Group's financial results, and with useful supplementary information to assess the performance of the Group's strategic operations by excluding certain impact of certain non-cash items, certain impact of merger and acquisition transactions, certain one-off bad debt provision and operating loss and recognition of deferred tax expenses due to the change of tax law. Nevertheless, the use of these non-GAAP financial measures has limitations as an analytical tool. These unaudited non-GAAP financial measures should be considered in addition to, not as a substitute for, analysis of the Company's financial performance prepared in accordance with IFRS. In addition, these non-GAAP financial measures may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of the Company's non-GAAP financial measures for the years ended 31 December 2018 and 2017 to the nearest measures prepared in accordance with IFRS:

	Year ended 31 December 2018					
		Adjustments				
	As reported *(HK$ million)*	**Equity-settled share option expenses** *(HK$ million)*	**Net fair value losses on call and put options (a)** *(HK$ million)*	**Amortization of intangible assets and inventory appreciation (b)** *(HK$ million)*	**One-off bad debt provision and operating losses associated with TRU/BRU** *(HK$ million)*	**Non-GAAP** *(HK$ million)*
Operating profit	**326.8**	**34.2**	**0.7**	**45.7**	**24.9**	**432.3**
Profit before tax	**207.5**	**34.2**	**0.7**	**45.7**	**24.9**	**313.0**
Profit for the year	**166.8**	**34.2**	**0.5**	**34.0**	**20.3**	**255.8**
Operating margin	**3.8%**					**5.0%**
Net margin	**1.9%**					**3.0%**

	Year ended 31 December 2017							
		Adjustments						
	As reported *(HK$ million)*	Equity-settled share option expenses *(HK$ million)*	Net fair value losses on call and put options (a) *(HK$ million)*	Amortization of intangible assets and inventory appreciation (b) *(HK$ million)*	Transaction cost for the Acquisition *(HK$ million)*	One-off bad debt provision associated with TRU/BRU *(HK$ million)*	U.S. tax reform effect on deferred tax assets and liabilities (c) *(HK$ million)*	Non-GAAP *(HK$ million)*
Operating profit	312.5	8.9	2.2	35.4	27.3	28.3	—	414.6
Profit before tax	251.5	8.9	2.2	35.4	27.3	28.3	—	353.6
Profit for the year	184.4	8.9	1.6	27.5	27.3	22.7	21.3	293.7
Operating margin	4.4%							5.8%
Net margin	2.6%							4.1%

Notes:

(a) Net fair value losses on call options and put options granted to non-controlling shareholders of certain subsidiaries of the Group.

(b) Amortization of intangible assets and inventory appreciation arising from acquisitions, net of related deferred tax.

(c) Recognition of deferred tax expense in U.S. arising from the reduction of income tax rate as a result of U.S. tax reform law change enacted in December 2017.

Working Capital and Financial Resources

	As at 31 December 2018 ***(HK$ million)***	As at 31 December 2017 *(HK$ million)*
Trade and notes receivables (including trade receivables due from a related party)	**1,108.6**	1,171.7
Trade and bills payables	**1,439.4**	1,312.6
Inventories	**1,944.0**	1,861.3

	For the year ended 31 December 2018		For the year ended 31 December 2017	
	Original Business[1]	**Acquired Business**	Original Business	Acquired Business
	(days)	***(days)***	*(days)*	*(days)*
Trade and notes receivables turnover days(1)	**58**	**35**	54	35
Trade and bills payables turnover days(2)	**104**	**86**	89	85
Inventories turnover days(3)	**138**	**80**	113	74

Notes:

(1) Trade and notes receivables turnover days = Number of days in the reporting period x (average balance of trade and notes receivables at the beginning and at the end of the period)/revenue in the reporting period.

(2) Trade and bills payables turnover days = Number of days in the reporting period x (average balance of the trade and notes payables at the beginning and at the end of the period)/cost of sales in the reporting period.

(3) Inventories turnover days = Number of days in the reporting period x (average balance of inventories at the beginning and at the end of the period)/cost of sales in the reporting period.

To more meaningfully illustrate our working capital information, we separately presented the working capital turnover days of the Original Business and the Acquired Business.

The decrease in trade and note receivables was mainly attributable to collection of compensation from credit insurance company for the receivables from TRU/BRU. The trade and notes receivables turnover days of the Original Business increased slightly by 4 days to 58 days. The trade and notes receivables turnover days of the Acquired Business remained stable at 35 days.

The increase of trade and note payables was mainly attributable to the increase of the Group's purchases prepared for the production and shipments before Chinese New Year. The increase in the trade and notes payables turnover days of the Original Business was mainly due to the improvement in more favorable payment terms. The trade and notes payables turnover days of the Acquired Business remained stable at 86 days.

The increase of inventories was mainly attributable to inventories preparation for the significant order demands for first quarter of 2019 in region EMEA. The inventory turnover days of the Original Business increased by 25 days to 138 days, also primarily due to inventories preparation in region EMEA. The inventory turnover days of the Acquired Business increased slightly by 6 days.

1 Original Business represents the business of the Group excluding the Acquired Business.

Liquidity and Financial Resources

As at 31 December 2018, the Group's monetary assets, including cash and cash equivalents, time deposit, pledged time deposits and financial assets designated at fair value through profit or loss, were approximately HK$930.4 million (31 December 2017: approximately HK$1,189.7 million).

As at 31 December 2018, the Group's interest-bearing bank loans and other borrowings were approximately HK$2,777.2 million (31 December 2017: approximately HK$2,736.8 million), including short-term bank loans and other borrowings of approximately HK$887.5 million (31 December 2017: approximately HK$1,341.7 million) and long-term bank loans and other borrowings with repayment terms ranging from three to seven years of approximately HK$1,889.7 million (31 December 2017: approximately HK$1,395.1 million).

As a result, as at 31 December 2018, the Group's net debt position was approximately HK$1,846.8 million (31 December 2017: approximately HK$1,547.1 million).

In 2018, the Group completed two tranches of 3-year term syndication loans with total facilities of US$264.0 million (HK$2,068.2 million in equivalent). The first tranche of US$164.0 million has been utilized to refinance an existing term loan and work capital loans in July and October 2018. The second tranche of US$100.0 million has been utilized to refinance an existing term loan in January 2019. With these refinances, the debt structure of the Group is optimized and relevant finance cost will be improved.

Contingent Liabilities

As at 31 December 2018, the Group had no material contingent liabilities (31 December 2017: nil).

Exchange Rate Fluctuations

The Group is a multinational enterprise with operations in different countries and the money that it used to conduct its business and transaction is denominated in various currencies, and the Group uses Hong Kong dollar ("**HK$**") as its reporting currency, which is pegged to U.S. dollar ("**US$**"). The Group's revenue is mainly denominated in US$, Renminbi ("**RMB**") and Euro. The Group's procurement and OPEX are mainly denominated in RMB, US$ and Euro. The net exposures to foreign currency risks of the Group's operating results are mainly the US$ and Euro revenue against RMB procurement and OPEX. The Group would benefit from the appreciation of US$ and Euro against RMB but would suffer losses if US$ or Euro depreciates against RMB. The Group uses forward contracts to eliminate the foreign currency exposures.

Pledge of Assets

As at 31 December 2018, the Group did not pledge any assets, except items described in note 16.

Gearing Ratio

As at 31 December 2018, the Group's gearing ratio (calculated by net debt divided by the sum of adjusted capital and net debt; the amount of net debt is calculated by the sum of trade and bills payables, other payables and accruals, payables due to related parties and interest-bearing bank loan and other borrowings (current and non-current) less cash and cash equivalents; the amount of adjusted capital is calculated by equity attributable to owner of the parent minus hedging reserve) was approximately 45.2% (31 December 2017: approximately 44.6%).

Employees and Remuneration Policy

As at 31 December 2018, the Group has a total of 12,397 full-time employees (as at 31 December 2017, the Group had a total of 15,516 full-time employees). For the year ended 31 December 2018, costs of employees, excluding Directors' emoluments, amounted to a total of HK$1,750.5 million (2017: HK$1,429.1 million). The increase in cost of employee is mainly attributable to the internal promotion of talented employees into senior or leadership roles, the recruitment of diverse talent into our global workforce and the Acquisition. The Group determined the remuneration packages of all employees with reference to individual performance and current market salary scale. The Group provides its employees with welfare schemes as required by applicable local laws and regulations.

On 5 November 2010, the Company had adopted a share option scheme ("**Share Option Scheme**") to incentivize or reward eligible participants for their contribution to the Group for the purpose of motivating the eligible participants to optimize their performance efficiency for the benefit of the Group, and attracting and retaining or otherwise maintaining on- going business relationship with the eligible participants whose contributions are or will be beneficial to the long-term growth of the Group.

On 28 May 2018, the scheme limit of the share option scheme was refreshed such that the maximum number of shares of the Company which may be issued upon exercise of all options to be granted under the share option scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme and any other share option scheme of the Company) to the extent of up to 10 per cent of the Shares of the Company in issue as at the date of the general meeting of the Company on 28 May 2018.

As at 31 December 2017, 50,950,000 share options were outstanding. The Company granted 100,800,000 share options on 27 March 2018 and 11,500,000 share options on 28 May 2018. Of the 100,800,000 share options granted on 27 March 2018, the grant of 75,000,000 share options were subject to shareholders' approval having been obtained and such shareholders' approval was obtained on 28 May 2018. In 2018, 28,447,333 share options had lapsed and 1,772,000 share options had been exercised. As at 31 December 2018, the outstanding share options were 133,030,667.

OTHER INFORMATION

Annual General Meeting

The annual general meeting of the Company (the "**AGM**") will be held on 27 May 2019 (Monday). A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in due course.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: HK$0.05 per ordinary share).

Book Close Periods

For the purposes of ascertaining the members' eligibility to attend and vote at the AGM, the Company's register of members will be closed during the following period:

• Latest time to lodge transfers documents for registration	4:30 p.m. on 21 May 2019 (Tuesday)
• Closure of register of members	22 May 2019 (Wednesday) to 27 May 2019 (Monday), both days inclusive

To be eligible to attend and vote at the AGM, all duly stamped instruments of transfers, accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, namely Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than the latest time as stated above.

Corporate Governance

For the year ended 31 December 2018, the Company has complied with all the code provisions as set out in the Code on Corporate Governance Practices ("**CG Code**") as set out in Appendix 14 to the Listing Rules, save for the deviation from code provision A.1.1.

Code provision A.1.1 stipulates that, among others, the Board should meet at least four times a year at approximately quarterly intervals.

The Board held three physical Board meetings during 2018. As members of the Board are located in various jurisdictions and time zones, to efficiently and timely deal with affairs of the Company, in lieu of physical meeting, the Company adopted written resolutions as permitted under its articles of association. For the year ended 31 December 2018, in addition to the matters considered at physical Board meetings, all affairs of the Company had been properly dealt with by means of written board resolutions, which have been carefully considered and approved by all the Directors. In the forthcoming year, the Company intends to hold at least four Board meetings.

Further information of the corporate governance practice of the Company will be set out in the corporate governance report in the annual report of the Company for the year ended 31 December 2018.

Purchase, Sale, Redemption and Re-purchase of Shares

There was no purchase, sale, redemption and re-purchase of any listed securities of the Company by the Company or any of its subsidiaries during the year ended 31 December 2018.

Model Code for Securities Transactions by Directors

Since the listing of the Company on the Main Board of the Stock Exchange on 24 November 2010, the Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code for the dealings in securities transactions by the Directors. Having been asked specific enquires, all Directors have confirmed that they complied with the required standard of dealings set out in the Model Code for the year ended 31 December 2018.

Audit Committee

As the date of this announcement, the audit committee of the Company (the "**Audit Committee**") consists of Mr. Iain Ferguson Bruce, Mr. Shi Xiaoguang and Ms. Chiang Yun. The chairman of the Audit Committee is Mr. Iain Ferguson Bruce.

The annual results for the year ended 31 December 2018 of the Company have been reviewed by the Audit Committee and audited by the independent auditor, Ernst & Young. The Audit Committee has also reviewed the accounting policies and practices adopted by the Company and discussed risk management and internal control with senior management members.

Appreciation

The chairman of the Group would like to take this opportunity to thank his fellow Directors for their invaluable advice and guidance, and to each and every one of the staff of the Group for their hard work and loyalty to the Group.

Publication of Financial Results and Annual Report

This annual results announcement is published on the websites of the Stock Exchange (http://www.hkex.com.hk) and the Company (http://www.gbinternational.com.hk). The annual report of the Company for the year ended 31 December 2018 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and made available for review on the same websites in due course.

Hong Kong, 25 March 2019

By order of the Board
Goodbaby International Holdings Limited
Song Zhenghuan
Chairman

As at the date of this announcement, the executive Directors are Mr. SONG Zhenghuan, Mr. Martin POS, Mr. XIA Xinyue, Mr. LIU Tongyou and Mr. Michael Nan QU; the non-executive Directors are Ms. FU Jingqiu and Mr. HO Kwok Yin, Eric; and the independent non-executive Directors are Mr. Iain Ferguson BRUCE, Mr. SHI Xiaoguang, Ms. CHIANG Yun and Mr. JIN Peng.